

EXECUTIVE SECRETARIAT

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9/22/82

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3-537 (10-8-11)



DEPARTMENT OF STATE

Washington, D.C. 20520

September 21, 1982

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Executive Secretary
82-944/8

BR file

MEMORANDUM TO MR. WILLIAM P. CLARK
THE WHITE HOUSE

Subject: NSSD-6: United States-Japan Relations.

Attached for consideration by the President is the Study on United States-Japanese relations prepared in accordance with NSSD-6, March 26, 1982 and your memorandum of the same date. The Study has been approved by all participating agencies.

The study is covered by a draft NSDD, which reflects the policy recommendations of the Study and has the concurrence of all agencies with the exception of the Defense Department. OSD would like to add to the last paragraph of the section on security, "The active assistance of the Administration from the President on down is required during high-level consultations with Japanese counterparts." The State Department has no substantive problem with this language, but believes the point is already covered and it would be inappropriate for the President to refer to himself in an NSDD in this way.

L. Paul Bremer, III

L. Paul Bremer, III
Executive Secretary

Attachments: As stated.

cc:	OVP	- Mr. Donald P. Gregg
	NSC	- Mr. Michael O. Wheeler
	Agriculture	- Mr. Raymond Lett
	AID	- Mr. Gerald Pagano
	CEA	- Mr. William Niskanen
	CIA	- [Redacted]
	Commerce	- Mrs. Helen Robbins
	Defense	- COL. John Stanford
	Treasury	- Mr. David Pickford
	USTR	- Mr. Dennis Whitfield

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L118
NSSD 6

PROPOSED
NATIONAL SECURITY DECISION
DIRECTIVE NUMBER

UNITED STATES-JAPAN RELATIONS

I have reviewed NSSD-6, United States-Japan Relations, and direct that it be considered a guide for the conduct of economic and security relations with Japan. The fundamental framework for our relationship remains the Treaty of Mutual Cooperation and Security; we will work within its terms and resist any attempts to revise it.

Accordingly, on the security front, the United States will:

- o Maintain Japan's western orientation, and discourage development of an autonomous nuclear capability.
- o Seek Japanese agreement to obtain increased capabilities as soon as possible within this decade to assume defense of its own territory, its surrounding seas and skies, and its sea-lanes to a distance of 1,000 miles. We see no need for Japanese forces able to sustain operations far from Japanese territory.
- o Accept the validity of Japan's policy of "comprehensive security," embracing foreign aid, and strive to see Japan's foreign assistance increased, particularly to strategically sensitive areas. We will not, however, regard foreign aid as a substitute for defense.
- o Maintain US-Japan interoperability by encouraging maximum procurement from the United States, but cooperate with Japan when necessary to discourage the development of independent systems.
- o Continue in our regular consultations and at high-level meetings to urge improved Japanese defense efforts. While it is necessary to discuss specific measures of performance, public statements should emphasize roles and missions in consideration of Japan's sovereignty and sensitivities.

On the economic front, the United States will:

- o Persist in a continuing campaign to have the Japanese economy further opened on a broad front, and pursue effective implementation of measures Japan has already undertaken. Seek consultation on and object to any policy or practice that discriminates against imports.

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- o Encourage Japan to continue opening its financial markets, and seek at a minimum national treatment for US commercial banks, security companies, and insurance companies in Japan.
- o Encourage Japan to sustain close cooperation in regard to non-subsidization of international export credits, and restraints on Soviet credits.
- o Press for full national treatment for US companies in Japan and transparency in investment procedures.
- o Press for participation for US firms in Japan high-technology development; access to the Japanese economy for US high-technology firms, particularly when they have a competitive edge; and full opportunity for US firms to invest in Japan in high-technology ventures.
- o Prevent predatory trade practices of Japanese high-technology firms in the United States, and where possible, third countries.
- o Use fishery allocations to obtain improvement in tariffs and non-tariffs barriers to US fish exports as well as greater cooperation in joint ventures.
- o Support the whale moratorium and attempt to persuade Japan to comply with the quotas it has been allocated.
- o Expedite conclusion of new arrangements with Japan in accordance with NSDD-39.
- o Attempt to build on the new interim civil aviation agreement with a long-term agreement that will further stabilize our civil aviation relationship.

In order to preserve and build upon our partnership with Japan, and forestall the possibility of a major shift in our relationship, the United States will:

- o Endeavor to avoid creating an impression of insensitive treatment as we pursue our security, diplomatic, and economic objectives.
- o Accord Japan the same degree and level of consultation as we do our NATO allies.
- o Sustain frequent exchanges at all levels in areas of mutual interest.

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NSSD-6: United States-Japan Relations

United States-Japan relations are enormously complex; there is no more multi-faceted bilateral relationship in the world. The bedrock of this relationship remains the 1960 Treaty of Mutual Cooperation and Security, the preamble of which explicitly recognizes the direct relationship of the Treaty's security provisions to economic and political cooperation. Article II of the Treaty states that the United States and Japan "will seek to eliminate conflict in their economic policies and will encourage economic collaboration between them."

Conceived and executed in tumultuous circumstances, and ratified over the violent opposition of Japan's opposition parties, the Security Treaty today is widely supported across the Japanese political spectrum. Much, however, has changed since it went into effect. Japan was then only completing its recovery from World War II and tidying up the last war-related reparation obligations; double-digit economic growth was to follow. On the diplomatic front, Japan did not aspire to play a leading regional, let alone global, role. In the intervening years, characterization of the U.S.-Japan relationship has evolved from "a developing partnership" to "an equal partnership" to "a maturing partnership" to "an alliance based on shared values," as reaffirmed to us personally by Prime Minister Suzuki.

As Japan's partnership role has increased, so have expectations on the part of Americans--Congressmen, businessmen, etc.--that Japan's international economic and political behavior on the world scene reflect its economic strength.

I. Political Relations

Political cooperation between the United States and Japan, particularly in regard to third countries, is exceedingly smooth. Both countries start from a base of dedication to democratic institutions and respect for human rights that serves as a source of stability in Asia and as a Pacific anchor

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for the common endeavors of the advanced industrial democracies. The following summary inventory of some of the more significant foci of common activity underscores the point.

USSR

Japan regards the Soviet Union as the only hypothetical enemy posing a direct threat. There is deep dislike for Russians. The Northern Territories remain an irredentist issue. While a pattern of close cooperation with the U.S. was broken with Japan's strong protest against our refusal to license equipment for Japan's Sakhalin gas-and-oil exploration project, Japan has been the most supportive of our Allies on Afghanistan/Polish sanctions even at the cost of losing some business to the Europeans. It is prepared to support any consensus on credit controls (a case-by-case review is in effect), and is chary of becoming overly dependent on the Soviets through participation in Siberian development. At the same time, Japan is cautious not to twist the bear's tail, and is careful to sustain dialogue with Moscow.

China

Since completion of the U.S. normalization process, Japan has closely identified with U.S. policy in bolstering the forces of moderation in Beijing and collaborating in China's modernization process. Apart from arms sales, where Japan's principal interest is to see a U.S.-PRC rift avoided, it takes a similar approach to Taiwan relations. Over the past several months, Japanese officials have helpfully encouraged the PRC to patch up its differences with the United States, pointing out that the U.S.-PRC rift would have adverse repercussions for Japan-PRC relations. Partly to dispel any suspicion that it seeks a privileged position, Japan made a point of untying aid to China in principle, but in practice aid is invariably used for contracts with Japanese firms.

Korea

Japan shares U.S. appreciation of the importance of stability on the Korean peninsula to Japanese and regional security. Despite difficulty in overcoming historically based mutual suspicions and prejudices, the Government of Japan remains committed to assisting the South Korean economy, albeit not to the extent desired by Seoul. Japan keeps its lines open to Pyongyang, principally through modest development of trade, but shows no inclination to move in the direction of a shift in diplomatic policy.

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Southeast Asia

Japan's strong support for ASEAN is in keeping with the "Fukuda doctrine's" call for projecting Japanese influence solely through economic means--aid, trade and investment. Japan pioneered in attending the annual ASEAN Foreign Ministers meetings, and while taking relatively few refugees for settlement, provides 40%-50% of the financing of Southeast Asian regional refugee programs. Japan maintains a mission in Hanoi, but thus far has suppressed voices calling for unfreezing of aid to Vietnam, deferring to ASEAN and U.S. positions. Japan generally supports ASEAN efforts to achieve a coalition political solution in Cambodia.

Middle East

Japan has been a steady supporter of the Camp David peace process, but in consideration of oil dependency on Middle East sources, has argued for a larger PLO role in a Middle East settlement and has permitted establishment of a PLO office in Tokyo as well as "unofficial" contacts by Arafat and other PLO leaders with Japanese governmental leadership. Japan recognizes that the U.S. plays a security role in the Persian Gulf and Indian Ocean that supports Japanese interests (see Security, below) and has interposed no objections to U.S. military deployments from Japan to the region. There are recent indications that Japan will take a stronger position than the U.S. in censuring Israeli actions in Lebanon.

Latin America and Africa

The Japanese political role on these two continents has been minimal, but in response to U.S. requests, Japan has extended aid to such sensitive countries as Chad, Sudan, and Jamaica, and has indicated it is prepared to give further support to the Caribbean Basin Initiative.

In sum, from a United States point of view, Japan's diplomatic relations in regard to third countries are on solid ground, as is its cooperation in most multilateral forums. Where there are differences, as in the Middle East, Japan exercises care to stop short of crossing U.S. policy. Similarly, it has drawn back from a number of would-be initiatives on disarmament--a popular theme for Japanese politicians--whenever faced with serious U.S. objections.

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II. Security Relations

The Security Treaty, including the Status of Forces Agreement governing the operation of our bases, has functioned well; military-to-military relations are extremely cordial and close. Japan has evolved over the past decade or more from passive acceptance of a role in the defense of Japan ancillary to that of the United States to a consensus that accepts Japan's primary responsibility for defense of its own territory, its surrounding seas and skies and its sealanes out to 1,000 miles; and a supportive role for U.S. forces engaged in contingencies elsewhere.

While Japan spends more on defense than all but seven nations of the world, only two of which are, like Japan, non-nuclear-armed, its defense budget still falls short of one percent of GNP. The size of Japan's ground forces and the quality of the major equipment of its naval and air forces are adequate to excellent, yet none of the three services could sustain itself in combat, even in limited contingencies. The logistics of all services, command-and-control, inter-service coordination, and the size of the naval and air forces have to improve if Japan is to be able to carry out the self-defense missions which it has accepted as falling within constitutional limits, i.e., no projection of military power overseas as an instrument of foreign policy.

Although Japan during the 1970s increased its defense budget in nominal and real monetary terms each year at rates greater than those of the U.S. and our NATO allies, Japan started from a low base. Moreover, existing defense plans were formulated without taking into account massive increases in Soviet military power in Asia over the past several years. For example, despite the still current 1976 policy that calls for Japan to "cope effectively with limited, small-scale aggression," Japan has not developed the capability to do so. Furthermore, although Japan has demonstrated ability to compete as an advanced industrial power, there is insufficient public awareness in Japan of the nation's vulnerability to Soviet political as well as military pressures, particularly if U.S. forces are engaged elsewhere.

The U.S. spends over two billion dollars annually to support its forces in Japan (where U.S. bases also serve to support contingencies elsewhere in Asia, notably, Korea, Southeast Asia, and more recently, the Middle East). Japan

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contributes over one billion dollars annually, directly and indirectly to the support of these forces, but U.S. support costs in Japan do not include the larger costs of maintaining both nuclear and conventional forces in the Asian theater. These forces, particularly the Seventh Fleet, not only maintain a shield around Japanese territory in the Northwest Pacific, but also serve Japan's interest in areas where it is relatively more vulnerable, i.e., sealanes in the Southwest Pacific and Indian Oceans. One of the most compelling arguments for a greater Japanese defense effort stems from the need for Japan to assume additional duties in the Northwest Pacific that would facilitate the allocation of U.S. resources elsewhere as the situation demands.

Japan's insufficient defense buildup has given rise to two negative political perceptions. In the U.S., Japan is seen by many as getting a "free ride" at U.S. expense. On the other hand, because of increased Soviet deployments in East Asia, U.S. capability to counter the Soviets has become relatively less credible to the Japanese.

U.S. security policy is to:

1. Maintain Japan's Western orientation, cultivating in Japan a sense of partnership and interdependence. We do not want Japan to develop an autonomous nuclear defense capability or forces able to sustain operations far from Japanese territory. Accordingly, we should resist arguments for revision of the U.S.-Japan Security Treaty or the Constitution, changes that would add nothing to Japan's ability to carry out mutually accepted defense roles, but would serve to strengthen the role of a small, vocal right-wing minority, alarm other Asian nations comfortable with Japan's currently approved self-defense roles, and possibly, lead to a counterproductive political backlash.

2. Seek Japanese agreement to obtain increased capabilities as soon as possible (but no later than the end of the decade) to assume the defense of its own territory, its surrounding seas and skies, and its sea-lanes to a distance of 1,000 miles. Achievement of these capabilities, which the Japanese Government has defined as its policy goal, would provide for a more equitable division of labor between the U.S. and Japan and would contribute positively to Japanese self-defense and overall regional and global stability.

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3. While accepting the validity of Japan's policy of "comprehensive security," embracing foreign aid and diplomatic effort as well as defense effort, refuse to accept performance in foreign aid or other fields as a substitute for defense effort. Conversely, avoid commingling of U.S. pressures in regard to defense and economic questions that should be addressed independently on their respective merits.

4. Maintain U.S.-Japan interoperability by encouraging maximum procurement directly from the United States, but, bearing in mind United States industrial interests and competitiveness, cooperate in license-production arrangements when necessary to discourage Japan from developing independent systems or altering its policy banning military exports (which could reduce U.S. leverage in Japan and other countries). At the same time, in order to maximize efficiency and contribute to mutuality, support the ongoing Japanese effort to clear the path for equitable two-way industry-to-industry exchanges of defense technology.

5. Conduct a dialogue with Japan using all existing consultative processes to pursue our defense objectives. (Existing mechanisms include annual Secretary of Defense-Defense Minister exchanges, the Security Consultative Committee, the Security Subcommittee, the Systems and Technology Forum, and bilateral military and diplomatic exchanges.) Since defense effort resolves itself ultimately into budget performance, our dialogue with Japan must necessarily discuss specific measures of performance. But recognizing Japan's sovereignty and sensitivities, these discussions should be conducted out of public purview. Roles and missions should be the focus of our public statements and presentations. The active assistance of the administration leadership from the President on down is required during high-level consultations with Japanese counterparts.

III. U.S. Economic Policy

We must pursue our economic policies against this backdrop of international collaboration and security cooperation. To summarize the goals set forth in a series of working-group contributions to this study:

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1. Trade

In keeping with the fundamental national objective of maintaining and further developing an open global trading system, we wish to achieve a significant liberalization of Japanese trade barriers with the goal of assuring as free access to the Japanese economy as the Japanese enjoy in our economy. Recurring trade crises over the past 15-20 years have heightened awareness of disparities in the relative openness of our respective markets. Moreover, while the trade issues the United States has been pursuing with Japan demand resolution on their own merits, and there are other economic issues with a high political content, there is a tendency for trade questions to overheat whenever economic conditions are adverse. While we have problems in the security and other areas, at the moment trade difficulties pose the greatest challenge to the maintenance of good United States-Japanese relations.

U.S. policy is to:

A. Persist in a continuing campaign to have the Japanese economy further opened on a broad front, and pursue effective implementation of measures already undertaken by Japan. In practice we may have to accept as politically necessary tolerance of some areas of special sensitivity. However, we should continue to emphasize as our objective, the removal of all barriers--including agricultural quotas.

B. While exposing and overcoming official and unofficial non-tariff barriers, judge Japan's performance not by the bilateral or multilateral trade balance per se--factors other than market openness are at play--but on the basis of actual access to the Japanese economy. Setting standards based on real access to Japanese markets is consistent with our belief that trade should be conducted in an open multilateral context.

C. Seek consultation on and object to any policy or practice that seriously discriminates against imports. This is perhaps the best means to alter some of the deepseated practices which are largely responsible for many of the barriers impeding access to Japanese markets.

2. Financial Measures

By and large, Japanese financial policies have become increasingly liberalized and internationalized. In 1979 Japan

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adopted a new foreign exchange law which, while recognizing the principle of free capital movement, requires prospective foreign direct investors to file a detailed report notifying the government of planned investment. Although no notified investments have been refused, investors inevitably feel pressure to tailor their investment plans so as to be acceptable to the government. However, we were encouraged by the Japanese May 28 policy statement welcoming foreign investments.

United States policy is to:

A. Encourage Japan to continue opening its financial markets to permit unrestricted access to yen through commercial banks and the bond market, recognizing that greater access in the short term may accelerate downward pressure on the yen.

B. Strive to assure that U.S. commercial banks and securities firms in Japan receive national treatment, recognizing that Japan has made significant efforts in last 2-3 years to afford U.S. banks and security firms such treatment, and that we do not wish to disturb the favorable treatment foreign banks in Japan enjoy in certain respects. In the licensing area, stress that restrictive insurance practices and administrative guidance, even on a national treatment basis, can cause legitimate services trade problems that must be addressed. Also, to continue to impress upon Japan that both U.S. and Japanese financial institutions will benefit from liberalization and internationalization of the entire financial system.

C. Encourage Japan to sustain the close cooperation it has given in regard to international export-credit arrangements designed to eliminate the subsidization of exports through credits. (Japan has agreed to a minimum rate above its prevailing internal long-term rates, in contrast to the Europeans, whose prevailing rates are higher than the agreed export-credit rate.)

D. Continue to coordinate closely with Japan in regard to Soviet credits. Japanese performance in response to the Afghanistan and Polish situations has been good, and in principle Japan has agreed to support any consensus that is developed.

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E. Encourage Japan to make its pre-investment notification procedure more transparent either by publicly indicating what factors would cause the government to modify or reject an investment, or to modify the procedure by substituting a simple investment registration system for the pre-investment notification. Generally press for national treatment for U.S. companies in Japan, and in particular solicit concrete Japanese measures to implement the newly stated policy of welcoming foreign investment.

3. High Technology

High technology issues are directly related to more general trade issues, but assume special significance because of the importance of gaining a market foothold at a stage when U.S. firms still have a competitive edge. The challenge often is to overcome the much more active role the Japanese government plays in technology development; particularly sensitive areas at the moment are semiconductors, computers, telecommunications, and biotechnology. The issue is political in the same sense as trade issues as a whole.

United States policy is to:

A. Seek to establish conditions for participation of U.S. firms in Japanese high-technology development programs, particularly those conducted by industry on a cooperative basis, often with government support.

B. Seek access to the Japanese economy for U.S. high-technology firms, especially at the stage when they have a competitive edge.

C. Seek a full opportunity for U.S. firms to invest in Japan in high technology ventures of all kinds.

D. Seek to prevent predatory trade practices of Japanese firms in the United States, and where possible, third countries.

4. Foreign Aid

A more active Japanese approach to foreign aid since 1978 has been manifested in increased aid budgets; a general untying of Official Development Assistance (ODA); the inclusion of ODA as part of a comprehensive approach to security; and increased emphasis on human-resources development. An initial aid-doubling project was completed between 1977 and 1980, and a

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second doubling program for the years 1981-85 is under way. These increases have made Japan one of the major donors on the Development Assistance Committee (DAC) of OECD in absolute terms, and Japan has shown willingness to channel increasing amounts of aid to countries outside Japan's traditional Asian sphere of activity, some of them "adjacent to areas of conflict." Nonetheless, there continue to be areas in which Japan can improve such as grant/loan ratio and aid contributions to sensitive areas.

U.S. policy is to:

A. Encourage Japan to continue to emphasize strategic targetting in its foreign-aid programs, in keeping with its policy of "comprehensive security," while making clear that we do not regard aid as a substitute for defense effort.

B. Coordinate U.S. and Japanese aid programs, including joint financing of selected projects in some countries.

C. Urge Japan, in addition to maintaining the substantial amount of aid it provides to Southeast Asia, to increase assistance to other areas, in keeping with its efforts to shoulder a greater share of international responsibility.

5. Fisheries

Fishery relations are important to both countries: approximately 15% of Japan's catch is taken off the U.S. coast, and 70% of the U.S. surplus resource is allocated to Japan; the United States in turn sells 50% of its fishery exports to Japan. Nonetheless, we see opportunities to maximize the return to the United States from our fishery resources. Fishery questions are not at present a major public issue, but there is potential for politicization if Japan concludes it is subject to discrimination, e.g., the recent temporary withholding of 10% of the U.S. allocation to Japan as leverage to encourage further joint-venture commitments.

U.S. policy is to:

A. Negotiate a revision of the current U.S.-Japan Governing International Fisheries Agreement (GIFA) to require greater cooperation in the development of United States fishing industries.

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B. Use fishery allocations as leverage to obtain improvement in tariffs and non-tariff barriers to U.S. fish exports as well as greater cooperation in joint ventures. (Japan has recently agreed to increase joint-venture purchases from 60,000 tons in 1981-82 to 200,000 tons in 1983-84.)

6. Whaling

The United States supports measures to protect whales, including a moratorium on commercial whaling, while Japan seeks to preserve a viable whaling industry. At the July 1982 meeting of the International Whaling Commission conservationist members voted a blanket moratorium on commercial whaling to be phased in by fall of 1985. Should Japan not comply, it will confront the likelihood of sanctions against its fisheries in U.S. commercial waters mandated by our fishing legislation. Whaling has been the focus of high-level attention within the GOJ, and may become a major public issue if the United States is portrayed as insensitive to Japanese concerns.

United States policy is to:

Support the IWC moratorium and attempt to persuade Japan to comply with the quotas it has been allocated for the next two years. Should Japan continue to whale after the moratorium goes into effect or fail to abide by the IWC quotas, it would have to be prepared to accept at least a fifty-percent cut in its fishing allocation with the possibility of a discretionary embargo on Japanese fishing products.

7. Nuclear Reprocessing

In the past, the United States position toward Japan's nuclear-reprocessing program has been a contentious issue because U.S. case-by-case approvals of reprocessing created considerable uncertainty for the Japanese. In addition, Japan felt discriminated against compared with our other major allies. President Reagan and Prime Minister Suzuki agreed in May 1981, to work toward a "permanent solution" to Japanese reprocessing. Since then we have concluded an interim agreement with Japan on the reprocessing of U.S.-supplied nuclear fuel at the Tokai Mura reprocessing facility through the end of 1984.

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We have informed the GOJ that we are prepared to offer in the context of a modified agreement for cooperation, advance, long-term consent to the reprocessing of U.S.-supplied fuel and the use of plutonium in Japan's nuclear program. This new approach is expected to meet Japan's needs for greater predictability provided we can obtain improved cooperation on non-proliferation matters, e.g., safeguards.

United States policy (NSDD #39) is to conclude such an agreement within a year.

8. Civil Aviation

After very difficult, protracted negotiations, we concluded an interim three-year agreement that meets the most pressing needs of the two sides. However, important issues, such as pricing, remain outstanding and will have to be addressed eventually, although not necessarily in the immediate future. The interim agreement states that negotiations should reconvene by the end of 1983.

United States policy is to attempt to reach an understanding on a long-term agreement that will stabilize our civil aviation relationship.

IV. Impact of Economic Actions on the Totality of United States-Japan Relations

The political, security, and economic aspects of our relationship with Japan are closely intertwined. Science and technology, for example, traditionally a positive aspect of our relations, has taken on a new dimension in relation to trade and investment issues. A key question is whether it is possible to pursue the economic objectives outlined above without jeopardizing the pattern of cooperation on the diplomatic front and the achievement of our security goals summarized in sections I and II.

The broad base of our relationship provides it with a good deal of resiliency. Now as in the past, even though we avoid creating linkages, economic friction has probably been a factor conducive to Japan's cooperation in other areas, i.e., Japan has looked for safety valves to relieve trade pressure. It is doubtful, for example, whether the breakthroughs in cost-sharing for support of our forces in Japan achieved in 1977-78 would have been as far-reaching had it not been for the

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prevailing trade crisis at that time. Similarly, Japan's willingness to extend foreign aid to remote areas where its immediate interests are limited, its forthcoming attitude toward cooperation in sanctions following Afghanistan and Iran, and the personal intervention of Prime Minister Suzuki to bring about a civil-aviation agreement on the eve of the Versailles Summit were all products, to some extent, of decisions motivated by a desire to prevent friction in other areas--particularly trade--from building up.

Nevertheless, if we fail to resolve some of our outstanding problems, particularly over market access, we may expect efforts to enact U.S. trade legislation directed against Japanese exports, or pressures for other forms of unilateral action affecting bilateral commerce. Either development could damage our key East Asian political relationship.

Few in Japan today want to contemplate basic alternatives to the current U.S.-Japan alliance structured by the Security Treaty. To do so is to quarrel with success: to put into jeopardy the guarantees afforded by the U.S. nuclear umbrella; the ever-expanding benefits of a vast commercial relationship; and the benign reception accorded Japanese economic and political activity on the part of its Asian neighbors, in large measure as a result of Japan's close association with the United States, i.e., the U.S. is seen as a counterweight to any potential Japanese hegemonic designs.

If one were to postulate options to the existing basic U.S.-Japan relationship, they might include the following:

- A more neutralist Japan in close but non-aligned relationship to the U.S. Once a popular concept among opposition and intellectual elements in Japan, this option has little backing today.
- A greatly accelerated defense effort with the objective of eventual dissolution of the Security Treaty. Although this idea has in recent years attracted a few non-extremist supporters, it is still identified primarily with the small ultra-right wing of the Japanese political spectrum.
- Dilution of the U.S. security tie through creation of a Pacific alliance or direct links with NATO. There is some support for these approaches on both sides of the Pacific, but political opposition to the idea of expanding alliance

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relationships remains strong within Japan. Japanese leaders do not wish to incur the political risks at home and abroad of pursuing such a course, and there are no signs of enthusiasm for the concept on the part of putative allies. From a United States perspective, a Japan more loosely or less exclusively tied to the United States would probably be a less reliable partner on both the political and economic fronts.

Without exhaustive examination of any of the above possibilities, it is posited as a consensus view of this study that none of these alternatives is desirable. Nonetheless, history has shown a Japanese potential for emotional response, particularly if the perception gains ascendancy that Japan is being treated unfairly, subject to prejudice, or accorded less consideration than national sentiment believes warranted. Responsible Japanese themselves distrust latent nationalism and all indications are that they will lean over backwards to keep it under control. Moreover, as matters stand, we enjoy a favored position in Japan which is not under serious challenge, if for no other reason than because the United States is established as a Pacific power and other industrialized democracies are not.

In this situation, great inertia on all fronts of our relationship argues against radical shifts in Japan's orientation. About the only circumstance in which Japan would contemplate a sea-change in policy short of a loss of confidence in U.S. military staying power in Asia and the Pacific, would be in reaction to a persistent perception that we were repeatedly and unreasonably disregarding Japanese concerns in pursuit of our own interests.

As indicated in Section III of this paper, much of what we ask of Japan is justified in terms of accelerating the process of internationalization of outlook in Japan. Insular tendencies persist, and the United States should continue, for example, to work for a further opening of Japanese markets. At the same time, Japan's strong economic performance (coupled with our massive and growing bilateral trade deficit) has created a situation in which we are not only asking for improved Japanese performance on many fronts, but our demands are receiving unprecedented media and political attention.

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If we are to avoid the unlikely but not altogether implausible possibility of a major shift in our relationship, the key may be style, taking into account the fact that while no two societies are structured alike, Japan, more than our other allies is sui generis. It is a tribute to successive administrations that we have created as beneficial a relationship as we have between two nations so diverse. To preserve and build on this relationship requires mutual accomodation. For our part, we should:

--Monitor the traffic on all fronts to sort out priorities and make sure that pursuit of several unrelated security, diplomatic, and economic objectives at the same time does not create an impression of insensitive or imperious treatment.

--Accord Japan the same degree and level of consultation as we do our NATO allies, e.g., if we send a mission to Europe on an issue where Japanese support is considered important, a similar mission should go to Japan.

--Entertain Japanese requests addressed to us in the context of our requests to Japan. Our security guarantee gives us a large store of credit and a large amount of leverage on many non-security as well as security issues. We should see in reasonable requests an opportunity to cooperate in solidifying our alliance.

--Recognizing the value placed by the Japanese on personal contacts, and the advantages we have enjoyed in this regard in the post-war period compared with other countries, sustain frequent exchanges at all levels in areas of mutual interest.

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